Supreme Court, U.S.
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No. 95-

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

RALPH G. NASATKA,

Petitioner,

v.

DELTA SCIENTIFIC CORPORATION,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. May a Court of Appeals dismiss an appeal of right as moot and sanction counsel under Federal Rule of Appellate Procedure 38 where a failure to proceed would have prejudiced appellant?

2. May a Court of Appeals order payment by appellant's counsel under Federal Rule of Appellate Procedure 38 of the appellee's fees for putting together the fee application?

LIST OF ALL PARTIES

The parties to the proceeding in the court whose judgement is sought to be reviewed appear in the caption. Respondent is not known to have any parent companies or subsidiaries.

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REFERENCE TO OPINIONS DELIVERED

1. Nasatka v. Delta Scientific Corp., No. 93-1420A, (E.D. Va. February 14, 1994).

2. Nasatka v. Delta Scientific Corp., No. 93-1420A, (E.D. Va. July 5, 1994).

3. Nasatka v. Delta Scientific Corp., 34 USPQ2d (B.N.A.) 1649 (E.D. Va. 1994).

4. Nasatka v. Delta Scientific Corp., Appeals Nos. 94-1357, -1499, (C.A. Fed. December 6, 1994).

5. Nasatka v. Delta Scientific Corp., 58 F.3d 1578, 35 USPQ2d (B.N.A) 1374, (C.A. Fed. July 7, 1995).

6. Nasatka v. Delta Scientific Corp., Appeal No. 94-1357, (C.A. Fed. August 28, 1995).

STATEMENT OF GROUNDS ON WHICH THE JURISDICTION OF THIS COURT IS INVOKED

The Federal Circuit Court of Appeals entered judgement July 7, 1995 dismissing the appeal of Petitioner Ralph G. Nasatka from the February 14, 1994 dismissal of his Complaint for infringement of U.S. Patent No. 4,630,395 and imposing sanctions upon Nasatka's counsel for frivolously pursuing a moot appeal. A petition for rehearing was denied August 21, 1995. Sanctions in the amount of $43,947.51 were awarded August 25, 1995. Counsel has paid the sanctions.

The United States Supreme Court has jurisdiction to review this judgement under 28 U.S.C. §1254 which provides for review "[b]y writ of certiorari granted upon the petition of any party to any civil...case, before or after rendition of judgement".

PROVISIONS INVOLVED

Federal Rule of Appellate Procedure 38

If a court of appeals determines that an appeal is frivolous, it may, after a separately filed motion or notice from the court and reasonable opportunity to respond, award just damages and single or double costs to the appellee.

(As amended Apr. 29, 1994, eff. Dec. 1, 1994).

I. STATEMENT OF THE CASE

By Order of February 14, 1994, the complaint of Petitioner Ralph G. Nasatka ("Nasatka") for infringement of U.S. Patent 4,630,395 was dismissed for, among other reasons, purported failure to conduct an adequate prefiling investigation (1A) as to certain vehicle barriers sold by Respondent Delta Scientific Corporation ("Delta") to the non-governmental World Trade Center. The district court on May 12, 1994 then granted Delta's request for Rule 11 sanctions. (3A) Nasatka noted his appeal to the Federal Circuit Court of Appeals on June 6, 1994. (20A) On July 5, 1994, the district court vacated its decision on Rule 11 sanctions, and concluded that Nasatka had conducted an adequate prefiling

investigation. (20A-21A) The district court did not reinstate the complaint, nor has it since been reinstated by the Federal Circuit. (25A; 8A)

After the district court's July 5, 1994 Order and while Nasatka's appeal was pending, Delta filed a motion in the district court seeking an award of attorney fees pursuant to 35 U.S.C. §285. (6A; 29A) It also moved to compel the depositions of Nasatka and his counsel on the adequacy of the prefiling investigation, which depositions were ordered. Delta itself appealed to the Federal Circuit from the district court's July 5, 1994 Order. (29A)

Thereafter, Delta moved the Federal Circuit to dismiss Nasatka's appeal. (19A) On December 6, 1994, the Federal Circuit denied Delta's motion, and ordered "Nasatka's brief is due 14 days from the date of filing of this order." (26A)

In its December order, the Federal Circuit noted "[i]t appears that the district court now believes that Nasatka's prefiling investigation was sufficient to support the filing of his complaint." (21A). Even with that knowledge, the Federal Circuit held:

> More importantly, Nasatka maintains that he conducted a legally adequate prefiling investigation and seeks review of the district court's ruling on the issue. <u>If the district court's order is not appealable, then Nasatka will be denied effective review of that determination</u>. (emphasis added) (23A)

During the appeal hearing, the court acknowledged that it:

> issued an Order at that time in which I said that there was a sufficient showing of prejudice on its face, but I think the panel is free to overturn my Order in that respect, and I would support the panel in overturning it. (emphasis added)

(Audio tape of May 3, 1995 appeal hearing)

Notwithstanding this record, on June 14, 1995, Nasatka was ordered to show cause why sanctions should not be imposed for pursuing an appeal after it had become moot. (27A) By decision of July 7, 1995, Nasatka's appeal was dismissed as moot, and his counsel sanctioned for arguing a frivolous appeal. (12A) According to the court, Nasatka's only proper course had been to refile his complaint, rather than seek reversal by appeal. (9A) The sanction was an award to Delta of Delta's costs and attorney fees on appeal from July 5, 1994 onward. (12A) By Order of August 25, 1995, counsel was ordered to pay $43,947.51. (17A) The district court denied the §285 attorney fee motion August 11, 1995. (31A)

Appendix F contains a time line listing the activities occurring in the district court and the Federal Circuit from the time the complaint was dismissed.

The Federal Circuit Court of Appeals had jurisdiction pursuant to 28 U.S.C. §1295 to review the district court's

dismissal of the Complaint. The district court had jurisdiction pursuant to 28 U.S.C. §1331, 1332, 1338 and 35 U.S.C. §281.

II. REASONS FOR GRANTING THE PETITION FOR WRIT OF CERTIORARI

A. Summary Of Argument

The Federal Circuit policy of "vigorously" enforcing Federal Rule of Appellate Procedure 38 has the effect of discouraging meritorious appeals. That policy so far departs from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision. In the present instance, the appeal has been dismissed as moot and counsel sanctioned, and yet the Complaint has not been reinstated by the district court or the Federal Circuit. Refiling Nasatka's otherwise legally adequate Complaint would have permitted Delta to raise procedural challenges it could not have raised should the Complaint have been reinstated, and would have exposed Nasatka to claims for attorney fees which could not be raised if the dismissal had been reversed. In view of the prejudice to Nasatka inherent in refiling his complaint, the case was not moot and the appeal not sanctionable, particularly in view of the Federal Circuit's Order denying Delta's motion to dismiss.

Even where sanctions under Fed. R. App. P. 38 are appropriate, a Court of Appeals should assess the reasonableness of the Appellee's fees. In addition, it is draconian to award attorney fees and costs incurred by the Appellee in preparing the bill of attorney fees

responsive to the sanction award, and for reviewing the Appellant's response to an order to show cause on the issue of sanctions.

B. Argument

(i) Vigorous Enforcement of Appellate Rule 38 Discourages Meritorious Appeals

The Federal Circuit has adopted a policy of enforcing Rule 38 which departs significantly from the Rule 38 practice of the other circuits. The Federal Circuit has nationwide jurisdiction, so this policy impacts litigants no matter where the complaint is filed. Moreover, that jurisdiction under 28 U.S.C. §1295 is not limited to patent cases, so this policy has a wide ranging impact on diverse sorts of cases and litigants. Considering that the only practical avenue of appeal from a Rule 38 award is to this Court, opportunities to appeal such determinations are limited.

The Federal Circuit policy is set forth in its Practice Note to Rule 38.[1] That practice is in conflict with the practice of the regional circuits, and is in conflict with this Court's jurisprudence. In *McKnight v. General Motors Corporation*, ___ U.S. ___, 114 S. Ct. 1826 (1994),

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[1] *Warning against filing or proceeding with frivolous appeals or petitions*. The court's early decision in *Asberry v. United States*, 692 F.2d 1378 (Fed. Cir. 1982), established the policy of enforcing this rule vigorously. Since then, many published opinions have included sanctions under the rule. Damages, double costs, and attorney fees, singly or in varying combinations, have been imposed on counsel, parties, and pro se petitioners and appellants for pursuing frivolous appeals.

appellate sanctions were vacated where "[f]iling an appeal was the only way petitioner could preserve the issue pending a favorable decision by this Court." Id. Moreover, that policy is at odds with this Court's Rule 11 jurisprudence. "Limiting Rule 11's scope in this manner accords with the policy of not discouraging meritorious appeals. If appellants were routinely compelled to shoulder the appellee's fees, valid challenges to district court decisions would be discouraged." *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 408, 110 S. Ct. 2447, 2462 (1990). In *Roadway Exp. Inc. v. Piper*, 447 U.S. 752, 100 S. Ct. 2455 (1980), the court considered sanctions under 28 U.S.C. §1927, and in *Chambers v. NASCO Inc.*, 501 U.S. 32, 111 S. Ct. 2123 (1991), the Court considered the inherent power of the courts to impose sanctions.

The Federal Circuit's vigorous enforcement policy[2] conflicts with the regional circuits' policies of exercising discretion and imposing sanctions only where the appeal is frivolous and sanctions appropriate. The Rule itself uses the discretionary term "may", not the mandatory term "shall". In view of the December 1994 Order, it is apparent that no discretion was exercised when sanctions here were imposed.

The Federal Circuit equates its subjective determination of frivolousness with a requirement that sanctions be imposed. "Having adjudged the appeal frivolous, we must determine the appropriate sanction."

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[2] Prior to the 1994 amendment to Rule 38, the Federal Circuit had held "[n]or does due process require any specific notice or opportunity for additional briefing or a hearing prior to imposition of Rule 38 sanctions under the circumstances presented here." *Romala Corp. v. U.S.*, 927 F.2d 1219, 1228 (Fed. Cir. 1991).

State Industries Inc. v. Mor-Flo Industries Inc., 948 F.2d 1573, 1581 (Fed. Cir. 1991). The "prosecution of a frivolous appeal will result in the imposition of costs and attorney fees against the offending parties and their attorneys." *Griessenauer v. Department of Energy*, 754 F.2d 361, 365 (Fed. Cir. 1985) (emphasis added). "After the date of this opinion, a frivolous appeal filed or proceeded with in this court, will result in imposition of damages upon appellant and counsel in accordance with Rule 38." *Asberry v. United States Postal Service*, 692 F.2d 1378, 1382 (Fed. Cir. 1982) (emphasis added). Rather than exercise discretion on whether to award sanctions, the Federal Circuit exercises discretion on "the amount of a damage award", *State Industries*, 948 F.2d at 1581. No decision of this Court compels such an irrebuttable conclusion by the Federal Circuit, and the Rule's discretionary mode precludes mandatory imposition of sanctions, *Burlington Northern*, 480 U.S. at 7, 107 S. Ct. at 970.

A noted commentator has remarked:

> Unfortunately, the Federal Circuit has done harm in its treatment of what it regards as frivolous appeals. Some of its rulings will quite clearly have a chilling effect on legitimate advocacy.

Harmon, *Patents and the Federal Circuit*, §17.2(d), Third Ed.

The Seventh Circuit comports with the Rule and employs a two-step decision process. "First, we must find that Equitable's appeal is in fact frivolous. Second, we must determine whether sanctions are appropriate in this case." *Ross-Berger Companies v. Equitable Life Assur.*, 872

F.2d 1331, 1340 (7th Cir. 1989). Similarly, the Ninth Circuit has stated that a determination not to award appellate fees does not mean the appeal was other than frivolous, *Thomas v. Bible*, 983 F.2d 152, 154 (9th Cir. 1993). The Fifth Circuit has held "we do not lightly impose sanctions at any time.", *Clark v. Green*, 814 F.2d 221, 223 (5th Cir. 1987).

Here, sanctions have been imposed even though the Federal Circuit earlier acknowledged that Nasatka "would be denied effective review" if he did not proceed with his appeal. He in good faith proceeded in compliance with court order, an order never expressly reversed. Moreover, while the Federal Circuit concluded that the district court's reversal on Rule 11 sanctions mooted the appeal, neither it nor the district court reinstated the Complaint. Nasatka thus was not returned to the status he occupied prior to the dismissal of his compliant. Instead, he was held to be obligated to start over, where to do so would prejudice him procedurally and substantively.

(ii) Guidance Is Needed On Rule 38

This Court has not previously elaborated upon the circumstances under which an attorney may be sanctioned pursuant to Fed. R. App. P. 38. The Court has addressed the "discretionary mode of operation" and the "case-by-case approach to identifying and deterring frivolous appeals" under the rule, *Burlington Northern R. Co. v. Woods*, 480 U.S. 1, 107 S. Ct. 967 (1987). Sanctions under Rule 11 have been considered in *Cooter & Gell v. Hartmarx*, 496 U.S. 384, 110 S. Ct. 2447 (1990); *Pavelic & LeFlore v. Marvel Entertainment*, 493 U.S. 120, 110 S. Ct.

456 (1989); and *Business Guides v. Chromatic Communications*, 498 U.S. 533, 111 S. Ct. 922 (1991). Appellate sanctions have apparently become more prevalent. See Federal Civil Procedure, 49 FPD 4th, §XX, ¶¶2835-2848. Nasatka submits that these issues are ripe for consideration by this Court.

The July 5, 1994 district court Order vacated an award of Rule 11 sanctions, but, as recognized by the Federal Circuit, did not reinstate the Complaint nor reverse the dismissal.[3] (25A) In opposing Delta's post-July 5, 1994 motion to compel (29A), Nasatka suggested:

- remand of all issues to the district court
- litigate infringement of '395 patent by all pertinent Delta barriers.

(Nasatka opposition to motion to compel)

The district court did not take up the suggestion, and instead ordered the depositions. It continued the hearing on the §285 attorney fee motion, a hearing not held until after the appeal hearing. (30A-31A)

While the Federal Circuit has provided varying bases under which an appeal may be held frivolous, *Finch v. Hughes Aircraft Co.*, 926 F.2d 1574, 1579 (Fed. Cir. 1992), compliance with a court order is not one of them. Prior to the decision herein, mootness had not been a basis for sanctions, *National Corn Growers Ass'n v. Von Raab*, 814 F.2d 651 (Fed. Cir. 1987). While an appeal may be

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[3] The Federal Circuit did not reverse the district court dismissal, even though the basis for the dismissal was said to have been reversed and the appeal thereby mooted.

deemed frivolous for any number of reasons, "the final determination that an appeal is frivolous is almost always accompanied by some statement concerning the absence of merit of the Appellant's arguments." 9 Moore's Federal Practice, ¶238.03[2]. Here there has been no allegation that Nasatka's substantive position lacked merit. Indeed, the district court had itself reversed its position on the substantive Rule 11 issues originally held to warrant dismissal of the complaint.

The Federal Circuit has held that "an appeal is frivolous where 'no basis for reversal in law or fact can be or is even arguably shown'." *Octocom Sys. Inc. v. Houston Computer Servs. Inc.*, 918 F.2d 937, 943 (Fed. Cir. 1990). Rather than reach those issues, the Federal Circuit appears to have concluded that because Nasatka could have refiled his Complaint, then he should have done so. *No authority was cited for that conclusion.* The potential prejudice and harm to Nasatka upon refiling are recounted *infra* at 13. The July 5, 1994 Order, limited in scope as it was, did not "completely and irrevocably eradicate the effects" of the initial dismissal, *Finberg v. Sullivan*, 658 F.2d 93, 98 (3rd Cir. 1981) (en banc). That the July 5, 1994 Order was not so sweeping in scope is made evident by the §285 motion for attorney fees filed after the Order. While the motion ultimately was denied, it was not denied until after the appeal hearing. (29A-31A)

The Revisors Notes to the 1967 adoption of Rule 38, Fed. R. App. P., refer to instances where an "appeal is frivolous", but little guidance is provided on how that

determination is to be made.[4] At least one court has commented, "[f]rivolity, like obscenity, is often difficult to define." *WSM Inc. v. Tennessee Sales Co.*, 709 F.2d 1084, 1088 (6th Cir. 1983).[5] Appellate counsel should not be subject to sanctions based upon such an arbitrary standard. This Court, in the context of Rule 11 sanctions for example, has looked to "a standard based on reasonableness," *Cooter & Gell*, 496 U.S. at 405, 110 S. Ct. at 2460. A reasonableness standard as to Rule 38 appellate sanctions is implied in *McNight v. General Motors Corporation*, ___ U.S. ___, 114 S. Ct. 1826 (1994). Nasatka's continuation of his appeal was reasonable in view of the December 6, 1994 Order of the Federal Circuit, his belief that a ruling in his favor would vitiate the attorney fee claim at the district court, and his belief that a ruling in his favor would preclude discovery issues and pre-answer challenges which could arise if he refiled the Complaint.

(iii) The Circuits Are Split Over The Need To Consider Appellant's Intent

The circuits are split over whether an appellant's conduct need be considered prior to imposing monetary

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[4] The decisions cited to refer to "false and scandalous matter" in the brief, *Ginsberg v. Stern*, 295 F.2d 698 (3rd Cir. 1961); "tricks of advocacy", *Griffin Wellpoint Corp. v. Munroe-Langstroth, Inc.*, 269 F.2d 64, 67 (1st Cir. 1959); "patently a frivolous appeal", *Dunscombe v. Sayle*, 340 F.2d 311 (5th Cir. 1965), cert. denied, 382 U.S. 814 (1965); and "obvious" instance of no liability, *Lowe v. Willacy*, 239 F.2d 179 (9th Cir. 1956).

[5] Interestingly, that decision was authored by then Federal Circuit Chief Judge Markey sitting by designation, and imposed sanctions upon a pro se litigant.

sanctions, even where the appeal has been deemed frivolous. The Federal Circuit has held "subjective intent...is immaterial", *Romala Corp. v. U.S.*, 927 F.2d 1219, 1226 (Fed. Cir. 1991). The Seventh Circuit has held, "to impose Rule 38 sanctions we have required some evidence of bad faith." *Ross v. City of Waukegan*, 5 F.3d 1084, 1090 (7th Cir. 1993). The Tenth Circuit considers "either intentional or reckless disregard of the attorney's duties to the court." *Braley v. Campbell*, 832 F.2d 1504, 1512 (10th Cir. 1987). The Second Circuit considers whether appellant has "demonstrated the vexatious tactics or manifested bad faith that usually prompts the imposition of appellate sanctions." *Mareno v. Rowe*, 910 F.2d 1043, 1047 (2nd Cir. 1990).

This split in the circuits needs to be resolved considering the potential adverse harm to counsel and their clients.

(iv) The Outstanding Attorney Fee Motion Precluded Mootness

Although the Court of Appeals concluded Nasatka's appeal was moot (12A), at least one decision of this Court suggests to the contrary. In *Furniture Moving Drivers v. Crowley*, 467 U.S. 526, 104 S. Ct. 2557, reh. denied, 468 U.S. 1224 (1984), a motion to dismiss as moot a petition for writ of certiorari was denied for a number of reasons, including a pending claim for attorney fees:

> we note that there are still pending several important collateral matters, including claims for damages, attorney's fees, and costs, that are

> dependent upon the propriety of the district court's preliminary injunction... We have no doubt, therefore, that the present controversy has not been mooted by intervening circumstances.

467 U.S. at 535-36 n. 11, 104 S. Ct. at 2563 n. 11.

"The action is not moot. Despite the expiration of the collective bargaining agreement, the Union's claim for damages makes the controversy a continuing one." *Bartenders & Culinary Wkrs. v. Howard Johnson Co.*, 535 F.2d 1160, 1162 n. 3 (9th Cir. 1976).

Moreover, the Federal Circuit underestimated the prejudice Nasatka confronted on account of Delta's then pending motion under 35 U.S.C. §285 for attorney fees when it held that motion "irrelevant" (7A). Remarkably, Delta's motion was filed after the July 5, 1994 Order. That motion was filed during the pendency of the appeal (29A), and was grounded upon the district court dismissal of the Complaint.

An award of attorney fees under 35 U.S.C. §285 is appropriate only where the party has "prevailed on all issues at all stages." *Consolidated Aluminum Corp. v. Foseco Intern. Ltd.*, 910 F.2d 804, 814 (Fed. Cir. 1990). Refiling the Complaint would have implicitly conceded the propriety of the dismissal and allowed Delta to claim to have prevailed as to all issues, *Kollsman v. Cohen*, 996 F.2d 702, 706 (4th Cir. 1993); *Corcoran v. Columbia Broadcasting System Inc.*, 121 F.2d 575, 576 (9th Cir. 1941). Having refiled, Nasatka would potentially be precluded from challenging the propriety of the dismissal should the district court grant the attorney fee motion,

McGregor v. Board of Com'rs of Palm Beach County, 956 F.2d 1017, 1020 (11th Cir. 1992); *Exchange Nat. Bank of Chicago v. Daniels*, 763 F.2d 286, 291 (7th Cir. 1985) ("aggrieved party must appeal at once or lose the right to an appeal on the merits."). Refiling the Complaint thus would have increased the likelihood of attorney fees being granted, while at the same time have reduced Nasatka's ability to appeal substantively any such award.

Considering that refiling the Complaint would have increased Nasatka's exposure to an attorney fee award, then the controversy had not irrevocably been altered by the July 5, 1994 Order. Moreover, refiling would have exposed him to possible pre-answer motions under Fed. R. Civ. P. 12, such as a venue challenge. A "case remains 'live' if a party may thereafter encounter adverse effects of the event in issue." *Justin v. Jacobs*, 449 F.2d 1017, 1019 (D.C. Cir. 1971).

An attorney has an obligation under the canons of ethics to zealously advance the interests of his client. Viewed differently, dismissing the appeal, said to be Nasatka's "only proper course" (9A), might suggest a failure to fulfill that ethical obligation should those potential prejudices have become real.

In view of the potential harm by refiling, Nasatka, an individual, acted reasonably in proceeding with his appeal. How can it be said that his "only proper course" was to refile his otherwise originally adequate Complaint?

(v) The Intervening Event Did Not Moot The Appeal

Unlike *Church of Scientology of California v. U.S.*, ___ U.S. ___, 113 S. Ct. 447 (1992), a reversal by the Federal Circuit would "return the parties to the *status quo ante*". A reinstatement of the Complaint would also preclude pre-answer challenges under Fed. R. Civ. P. 12, which Delta potentially could raise should the Complaint be refiled.

Significantly, the Court of Appeals did not raise the issue of mootness until after the appeal hearing in the Order to Show Cause of June 14, 1995. (27A) Delta *never* raised the issue. "If a party to an appeal suggests that the controversy has, since the rendering of judgement below, become moot, that party bears the burden of coming forward with the subsequent events that have produced that alleged result." *Cardinal Chemical Co. v. Morton Intern. Inc.*, ___ U.S. ___, 113 S. Ct. 1967, 1976 (1993). Federal Circuit Rule 27(e)[6] conforms to *Cardinal Chemical* in that regard. Despite three opportunities, Delta never alleged the appeal moot.

That neither Delta nor the court in its December 1994 Order raised the issue of mootness suggests that same was not as "obvious" as ultimately concluded.

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[6] (e) Motion to dismiss or remand; response... A motion to dismiss for lack of jurisdiction...should be made as soon as possible after docketing as the grounds therefor are known. After the appellant...has filed the principal brief, the arguments supporting dismissal for lack of jurisdiction or remand should be made in the brief of the appellee or respondent.

(vi) The Federal Circuit Implicitly Did Not Consider The Appeal Moot In Its December 6, 1994 Order.

Counsel has been sanctioned under Fed. R. App. P. 38 and ordered to pay substantial fees by the Federal Circuit Court of Appeals for proceeding pursuant to Fed. R. App. P. 4(a) with an appeal of right. Although the decision holds that Nasatka "persisted in frivolously pursuing an obviously moot appeal" (12A), the court apparently did not consider the appeal moot just a few months earlier. (19A) That same court required Nasatka to file his appeal brief within fourteen days, because "Nasatka will be denied effective review" of the district court dismissal. (23) In that same Order the Court of Appeals referred to the intervening event, and, although wondering why he did not refile, commented "that the district court now believes Nasatka's prefiling investigation was sufficient to support the filing of his Complaint."[7] (21A)

The Federal Circuit's judgement, if not reversed by this Court, will have a chilling impact on appellant advocacy, because counsel may confront sanctions for relying upon subsequently implicitly reversed rulings of the Court of Appeals with regard to the appeal.

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[7] Nasatka's appeal brief explained costs, discovery issues, and pre-answer challenges which could occur by refiling. In his response to the Order to Show Cause, he elaborated upon Delta's attorney fee motion.

(vii) The Federal Circuit Concluded Nasatka Would Be Prejudiced By Not Appealing

Circuit Judge Plager, who authored the December Order, sat on the panel hearing the appeal. In the course of the hearing he remarked:

> I issued an Order at that time in which I said that there was a sufficient showing of prejudice on its face, but I think the panel is free to overturn my order in that respect, and I would support the panel in overturning it. (emphasis added)

(Audio tape of oral argument in Appeal No. 94-1357, May 3, 1995).

While the court's July 1995 decision makes reference to that December 1994 Order (9A), it does not expressly purport to overrule it. Thus, unlike *Chambers v. NASCO, Inc.*, 501 U.S. 32, 56, 111 S. Ct. 2123, 2139 (1991), there not only was no warning by the court about sanctionable conduct, but the court had concluded Nasatka would be prejudiced should he not proceed with the appeal. No event eliminated the prejudice recognized by the court when it held Nasatka would be "denied effective review" if he did not proceed with the appeal. If anything, he had been further prejudiced by Delta's attorney fee motion. Thus, sanctions have been awarded because the court implicitly reversed its prior decision that it had jurisdiction over the appeal. (8A; 26A)

C. The Federal Circuit Abused Its Discretion In Making The Fee Award

In its subsequent decision of August 25, 1995, the Federal Circuit ruled on the amount of the sanctions to be awarded, having considered Delta's late-filed[8] fee application (13A) and Nasatka's opposition thereto. It awarded costs and fees not only for responding to Nasatka's appeal brief and participating at the hearing, but also for "receiving and considering response to Nasatka's opposition to the award of sanctions; and (g) preparing the bill of costs and the application for attorney fees." (14A)

(i) The Circuits Are Split Over The Types Of Damages

The circuits are split over whether the appellee is entitled to fees for preparing the bill of costs. Here the Federal Circuit awarded fees and costs for preparing the bill of costs and application for fees. In *Lynddon v. Geothermal Properties Inc.*, 996 F.2d 212 (9th Cir. 1993), the court held:

> It follows that the costs associated with the computation of Rule 38 sanctions should not be recoverable. These costs are not incurred defending against the frivolous appeal. Instead, they are directly related to the court of appeals' decision to impose sanctions. Thus, we hold that the district court abused its discretion in awarding

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[8] The Federal Circuit *sua sponte* granted an extension of time to Delta for filing its fee application.

> GPI the costs associated with the computation of Rule 38 sanctions on remand.

Id. at 214.

The Ninth Circuit in *Lynddon* looked to *Cooter & Gell.* The Court there held that "Rule 11 is more sensibly understood as permitting an award only of those expenses directly caused by the filing", 496 U.S. at 406, 110 S. Ct. at 2461, and thus denied fees incurred as a result of the appeal of the sanctions award. For like reasons, Nasatka's counsel should not be called upon to pay the fees and expenses for considering the opposition to the sanctions award, nor for putting together the fee application.

(ii) An Award Of Reasonable Attorney Fees Requires A Consideration Of The Reasonableness Of The Fees

While the court ordered an award of "reasonable attorney fees", it made no finding that the fees were in fact reasonable. It held the hourly rate to be reasonable, but there is no finding on the quantum of fees. (15A)

The Federal Circuit has held "[o]rdinarily the only inquiry in determining the propriety of the amount of attorney fees to be paid as damages by an appellant who has filed a frivolous appeal is whether the appellee actually incurred the fees sought in defending against the appeal." *Sun-Tek Industries v. Kennedy Sky-Lites Inc.*, 865 F.2d 1254, 1255 (Fed. Cir. 1989). The Fifth Circuit, on the other hand, conflicts with the Federal Circuit and considers whether the fees are "reasonable", *Atwood v.*

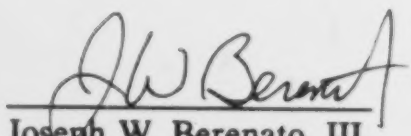
Union Carbide Corp., 850 F.2d 1093 (5th Cir. 1988), rehearing denied, cert. denied, *Drake Towing Company Inc. v. Atwood*, 489 U.S. 1079. The Fourth Circuit requires a consideration of "(1) reasonableness of the opposing party's attorney's fees; (2) the minimum necessary to deter further abuses; (3) the sanctioned party's ability to pay; and (4) the severity of the violation." *In re Lane*, 991 F.2d 105, 108 (4th Cir. 1993).

Thus, there also is a split in the circuits over whether the reasonableness of the fees claimed by the appellee need be considered.

III. THE WRIT SHOULD BE GRANTED

For all of these reasons, Petitioner requests that the writ be granted and that the Court take under consideration the circumstances under which an appeal may be dismissed as moot and Appellate counsel sanctioned, and the types of monetary sanctions which may be imposed.

Respectfully submitted,



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APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

94-1357

RALPH G. NASATKA,

Plaintiff-Appellant,

v.

DELTA SCIENTIFIC CORPORATION,

Defendant-Appellee.

DECIDED: July 7, 1995

Before MICHEL, PLAGER and RADER, Circuit Judges.

MICHEL, Circuit Judge.

Ralph G. Nasatka appeals the February 14, 1994 order of the United States District Court for the Eastern District of Virginia, Docket No. 93-1420-A, dismissing without prejudice his infringement claim against Delta Scientific Corporation (Delta) for failure to conduct an adequate pre-filing investigation as required by Rule 11 of the Federal Rules of Civil Procedure. Because later proceedings in the district court rescinded the finding of inadequacy and resulting sanctions and thus mooted this

appeal, we dismiss. Because Nasatka's appeal to this court became frivolous before briefs were due but after notice of appeal was filed, we grant Delta's request for sanctions under Rule 38 of the Federal Rules of Appellate Procedure and require Nasatka's attorney to pay Delta's attorney fees and costs expended due to this appeal.

BACKGROUND

Nasatka filed suit against Delta in the Eastern District of Virginia alleging infringement of U.S. Patent No. 4,630,395 (the '395 patent) relating to vehicle security barricades. In response to interrogatories by Delta, Nasatka asserted that the infringing device was Delta's barricade model TT207FM, which according to testimony in an affidavit by Delta's president, is sold only to the United States government for use at the Pentagon. Nasatka did not identify any other infringing models at that time.

Delta moved for dismissal of Nasatka's infringement action on the ground that jurisdiction was improper pursuant to 28 U.S.C. §1498 (1988) which requires that suits against manufacturers who produce goods for the government be filed against the government in the Court of Federal Claims. In his response to Delta's motion to dismiss, Nasatka raised for the first time the argument that jurisdiction in the district court could be properly based on Delta's sale of barricades to the World Trade

Center in New York City.[1] In reply, Delta requested that the district court dismiss this portion of the action because Nasatka had not conducted an adequate pre-filing investigation as required by Rule 11 of the Federal Rules of Civil Procedure.

In an amended order dated February 14, 1994, the district court dismissed the claims relating to the Pentagon barriers with prejudice for lack of jurisdiction. Nasatka does not appeal this portion of the court's order. The district court also dismissed the claims relating to the World Trade Center barriers without prejudice for failure to conduct an adequate pre-filing investigation. Nasatka requested reconsideration of this issue, which the district court denied on May 6, 1994. The court observed "[t]here really isn't any prejudice to the plaintiff; he can refile it." Nasatka appeals this dismissal here.

When issuing the order dismissing the infringement claim, the district court kept the question of monetary sanctions against Nasatka under advisement. On May 12, 1994, the district court granted Delta's motion requiring Nasatka to pay attorney fees and costs under Rule 11 because: 1) Nasatka had filed a suit in the district court that he knew could only be filed against the United States in the Court of Federal Claims; 2) Nasatka had not cooperated in discovery; and 3) Nasatka had not

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[1] When a manufacturer sells a product to both the government and a third party, the normal course of events is parallel patent infringement proceedings in the Court of Federal Claims for sales to the government in accordance with 28 U.S.C. §1498 and in the district court for the nongovernmental sales. *AM Int'l, Inc. v. United States*, 227 Ct. Cl. 632, 632-33, 213 USPQ 717, 718 (1981).

conducted a sufficient pre-filing investigation with regard to the World Trade Center barriers.

However, on July 5, 1994, upon Nasatka's motion for reconsideration, the district court vacated the sanctions order based on its new conclusion that Nasatka had in fact conducted an adequate pre-filing investigation concerning the alleged infringement by the World Trade Center barriers. In spite of Nasatka's and his counsel's other faults, the court did not believe that sanctions were warranted absent an inadequate pre-filing investigation. In forming its conclusion that the investigation was adequate, the court relied on information submitted for the first time in Nasatka's motion for reconsideration asserting that Nasatka had obtained two opinions that the World Trade Center barriers infringed the '395 patent before filing suit. The court also stressed that much litigation could have been avoided if Nasatka had submitted this information earlier. Delta has filed in the district court a motion for an award of attorney fees and costs expended in this litigation in the trial court, pursuant to 35 U.S.C. §285 (1988) and Fed. R. Civ. P. 54(d).

Although on July 5, 1994, the district court found that Nasatka had actually conducted an adequate pre-filing investigation, the February 14, 1994 dismissal without prejudice of the infringement claim relating to the World Trade Center barriers remained in effect. Nasatka appeals that order. We have jurisdiction over final orders and judgments in patent infringement cases pursuant to 28 U.S.C. §1295 (1988).

DISCUSSION

I

If an event occurs while a case is pending on appeal that makes it impossible for the court to grant "any effectual relief whatever" to a prevailing party, the appeal must be dismissed as moot. *Church of Scientology v. United States*, 113 S. Ct. 447, 449 (1992). The case ceases to present an actual case or controversy, thereby divesting the appellate court of jurisdiction. *Honig v. Doe*, 484 U.S. 305, 317 (1988) ("Under Article III of the Constitution this Court may only adjudicate actual, ongoing controversies."); *Powell v. McCormack*, 395 U.S. 486, 496 n. 7 (1969). "The test for mootness...is whether the relief sought would, if granted, make a difference to the legal interests of the parties (as distinct from their psyches, which might remain deeply engaged with the merits of the litigation)." *Air Line Pilots Ass'n Int'l v. UAL Corp.*, 897 F.2d 1394, 1396 (7th Cir. 1990). In deciding whether this appeal must be dismissed as moot, we examine whether the decision of any disputed issue "continues to be justified by a sufficient prospect that the decision will have an impact on the parties." *Flagstaff Med. Ctr., Inc. v. Sullivan*, 962 F.2d 879, 884 (9th Cir. 1992).

Nasatka filed this appeal on June 6, 1994, before the district court had issued its reconsideration decision rescinding sanctions. At the time of filing, a reversal by this court would have relieved Nasatka of conducting any further pre-filing investigation, which arguably could be characterized as effectual relief having an impact on the parties. However, once the district court issued its reconsideration decision lifting all sanctions and finding,

based on later-submitted evidence, that after all Nasatka's pre-filing investigation was adequate, the situation changed drastically.

At this point, a decision by this court in favor of Nasatka could not afford him any relief more meaningful than that which Nasatka can obtain by simply refiling his complaint, as he is free to do given that it was dismissed without prejudice. In light of the district court's reconsideration decision that Nasatka's pre-filing investigation was adequate, he can have no legitimate fears of his complaint again being dismissed on that ground. Thus, Nasatka is free to proceed with this suit without any relief from this court. A decision for Nasatka in this appeal would only provide a holding that the evidence which he originally presented to the district court in response to Delta's motion to dismiss demonstrated an adequate pre-filing investigation for purposes of Rule 11. Because such a holding, the only relief which Nasatka seeks on appeal, has no bearing on Nasatka's right to proceed with this litigation or on any sanction, it can make no difference to his legal interest.

Nasatka argues that a ruling by this court that the pre-filing investigation as originally presented to the district court was adequate would benefit its legal interests in future proceedings in this case. According to Nasatka, this appeal is not moot because Delta has filed a motion in the district court under 35 U.S.C. §285 for attorney fees and costs as the prevailing party. In Nasatka's view, a ruling in its favor would preclude Delta from claiming it had prevailed in the proceedings before the trial court and, therefore, would clarify that Delta is not entitled to fees and costs. However, Delta's motion

for attorney fees in the district court and the arguments that Delta may make in that motion are irrelevant to whether this appeal seeking reversal of the order dismissing Nasatka's original complaint became moot before being submitted for decision here. Once refiled, Nasatka's suit may proceed regardless of the district court's eventual decision on Delta's motion. If the district court grants Delta's motion, Nasatka's recourse is to appeal that order. Any opinion by us at this point as to whether Nasatka's original pre-filing investigation was adequate would be premature as the trial court has not yet ruled and thus purely advisory and, therefore, prohibited.

In effect, Nasatka seeks our blessing on an issue that no longer has any impact on the further progress of this case at the trial court and is as moot there as here. Nasatka belatedly represented to the district court that he had conducted a much more thorough investigation than that on which the court ruled in the February 14, 1994 order. Only that representation of the more thorough investigation is relevant to any further proceedings in the district court because, once admitted, it supersedes Nasatka's original and apparently incomplete description of his pre-filing investigation. For these reasons, the question of the adequacy of Nasatka's pre-filing investigation as originally described to the district court is moot.

Therefore, this appeal is moot and must be dismissed for lack of jurisdiction.[2]

II

A.

Rule 38 of the Federal Rules of Appellate Procedure provides that "[i]f a court of appeals shall determine that an appeal is frivolous, it may, after a separately filed motion or notice from the court and reasonable opportunity to respond, award just damages and single or double costs to the appellee."[3] By seeking to litigate to its appellate conclusion an obviously moot issue, Nasatka has clearly argued a frivolous appeal. See *Munson v. Antisdel*, 982 F.2d 360, 361 (9th Cir. 1992) (dismissing appeal as moot and sanctioning appellant's attorney under Fed. R. App. P. 38).

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[2] Because the issue of whether the evidence originally presented by Nasatka to the district court demonstrates an adequate pre-filing investigation has not been resolved, we simply dismiss this appeal and leave the February 14, 1994 order standing, rather than vacate and remand with directions to dismiss that order, as is typical when a case is mooted. See *United States v. Munsingwear, Inc.*, 340 U.S. 36, 39 (1950). In addition, it is inappropriate to vacate an entire case when only the issues raised on appeal but not the entire case, have been mooted. *Crowell v. Mader*, 444 U.S. 505, 506 (1980). Such is the situation here where the district court's February 14, 1994 dismissal of Nasatka's claim based on the Pentagon barriers has not been mooted.

[3] By order dated June 14, 1995, this court provided Nasatka with notice that it was considering imposing sanctions under Fed. R. App. P. 38 on the ground that the appeal became moot before being taken under submission and indeed before briefs were due, and allowing him fourteen days to respond, which he did.

Even assuming that Nasatka's appeal was legitimate when filed, that appeal became obviously moot and, therefore, frivolous when the district court, in light of additional evidence of the investigation submitted by Nasatka, reversed its finding that the pre-filing investigation was inadequate. Nasatka's only proper course of action at that point was to voluntarily move for dismissal of this appeal and then refile his complaint in the district court.

Moreover, Nasatka was encouraged by us and the district court to follow that course. In a December 6, 1994 order on Delta's motion for dismissal of the appeal, this court advised Nasatka to refile the claim relating to the World Trade Center barriers if, as was indeed the case, he was not challenging the dismissal with prejudice of the claim relating to the Pentagon barriers:

> In the event that Nasatka is seeking review only of this portion of the judgement, it is unclear why Nasatka does not refile his complaint and voluntarily dismiss his appeal.

The district court had observed in its May 6, 1994 decision denying reconsideration that Nasatka suffered no prejudice because he could refile his complaint. By making clear Nasatka's proper course, these warnings accentuate the frivolity of Nasatka's persistence in this appeal after July 5, 1994.

Our comments in *Finch v. Hughes Aircraft Co.* are especially pertinent in demonstrating the rationale for imposing sanctions in this frivolous appeal:

> [A]ppellate courts must consider the importance of conserving scarce judicial resources. A frivolous appeal imposes costs not only upon the party forced to defend it, but also upon he public whose taxes supporting this court and its staff are wasted on frivolous appeals.... The diversion of resources in our considering a frivolous appeal, "on the possibility that a non-frivolous contention might have been found lurking," delays access to the court by deserving litigants... Sanctions under Rule 38 thus perform two vital functions: They compensate the prevailing party for the expense of having to defend a wholly meritless appeal, and by deterring frivolity, they preserve the appellate calendar for cases truly worthy of consideration.

926 F.2d 1574, 1578 17 USPQ2d 1914, 1918 (Fed. Cir. 1991) (citations omitted).

From the time of the district court's reconsideration finding in July 1994 that Nasatka had indeed completed an adequate pre-filing investigation and onward, Nasatka's pursuit of this appeal unnecessarily wasted scarce judicial resources and imposed costs on the appellee, Delta, by seeking a ruling on an issue already decided in its favor. Accordingly, the appellee, Delta, is awarded its costs and reasonable attorney fees for this appeal assessed against Nasatka's counsel as just damages under Fed. R. App. P. 38. Counsel, not client, must pay damages here because the pursuit of this appeal served to protect counsel more than client.

B.

Nasatka contends that Delta has failed to provide clear argument and citation to the record in support of is request for sanctions, as required by *Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 863, 20 USPQ2d 1252, 1263 (Fed. Cir. 1991), cert. denied, 504 U.S. 980 (1992). *Biodex* requires that assertions of frivolity be accompanied by citation to the opposing brief and the record below, and clear argument as to why those citations establish the allegedly frivolous nature of the appeal. Id. An assertion of frivolity that is nothing more than a "mere incantation of Rule 38" can itself be frivolous. Id. However, we conclude that Delta has met the burden imposed by *Biodex*. Although Delta requests that this court hold Nasatka's appeal frivolous on only the last page of its brief, the brief refers to the frivolous nature of this appeal in at least three other locations. Appellee's brief at 4, 28 n. 16 and 31. Most importantly, Delta argues that the appeal is frivolous in light of Nasatka's ability to simply refile with no harm. Appellee's brief at 4, 28 n. 16. Furthermore, in accordance with *Biodex*, Delta has responded to the arguments raised by Nasatka with citations to the record and the law to show that Nasatka's arguments have no basis. See, e.g., Appellee's brief at 29 (arguing that Nasatka's post-filing investigations are irrelevant to the Rule 11 inquiry).

CONCLUSION

Nasatka's appeal is dismissed as moot because a ruling that his pre-filing investigation as originally presented to the district court was adequate could afford

him no meaningful relief beyond that which he could simply gain by refiling his complaint in the district court. Because Nasatka has persisted in frivolously pursuing an obviously moot appeal, sanctions are imposed on his attorney which require the attorney to pay Delta's costs and reasonable attorney fees on appeal incurred after July 5, 1994.

DISMISSED--SANCTIONS IMPOSED

COSTS

Costs to be paid by Nasatka.

APPENDIX B

United States Court of Appeals for the Federal Circuit

94-1357, -1499

RALPH G. NASATKA,

Plaintiff-Appellant,

v.

DELTA SCIENTIFIC CORPORATION,

Plaintiff-Appellee.

Before MICHEL, PLAGER, and RADER, Circuit Judges.

ORDER

On July 7, 1995, we imposed sanctions on counsel for Ralph G. Nasatka that required him to pay Delta Scientific Corporation's costs and reasonable attorney fees on appeal incurred after July 5, 1994. Delta now submits an application for attorney fees and expenses pursuant to Fed. Cir. R. 47.7. Nasatka objects in part.[1]

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[1] One of Nasatka's objections is that Delta's application for fees was untimely because the application was filed on August 8, 1995. The court, sua sponte, grants Delta an extension of time to file its application. Other of Nasatka's objections are well taken, and the court has reduced the fees requested by Delta where appropriate.

The legal services for which Delta requests attorney fees are the following: (a) researching, preparing, and filing Delta's brief; (b) researching, preparing, and filing a combined motion to dismiss Nasatka's appeal and opposition to Nasatka's motion for an extension of time to file his brief; (c) researching, preparing, and filing a motion to strike portions of Nasatka's principal and reply briefs; (d) receiving, considering and responding to various requests made by counsel for Nasatka; (e) preparing for, travelling to and attending oral argument; (f) receiving and considering response to Nasatka's opposition to the award of sanctions; and (g) preparing the bill of costs and the application for attorney fees.

In deciding whether to grant fees, we consider whether Delta was required to perform the various legal services as a result of Nasatka's frivolous appeal. See, e.g., *In re Perry*, 918 F.2d 931 (Fed. Cir. 1990). The preparation of Delta's brief, the expenses in connection with oral argument, the resolution of Nasatka's various requests, and preparation of the bill of costs and application for attorney fees were necessary in order for Delta to defend against Nasatka's appeal and to receive the fees awarded by this court. Thus, attorney and paralegal fees will be awarded to such services. We find that these fees total $ 38,236.75. However, Delta's motion to dismiss and motion to strike were denied by the court and were purely voluntary in nature. Similarly, Delta was not required by our rules to file an opposition to Nasatka's motion for an extension of time. We will not award attorney fees that were incurred in connection with these motions.

We note that the billing rates for Delta's attorneys are reasonable. The attorneys and their respective billing rates are as follows:

	BILLING RATES		
ATTORNEY	7/94	12/94	2/95
William J. Robinson	$290.00	$295.00	$295.00
Paul J. Kennedy	$215.00	$215.00	$225.00
Mitchell P. Brook	$215.00	$220.00	$220.00
Marc E. Hankin	___	___	$175.00

Robinson, lead counsel in this appeal, is the chairman of the intellectual property department in the Los Angeles office of Graham & James. Brook and Hankin are associates in the Los Angeles office, and Kennedy is a partner in the Washington, D.C. office. According to the 1993 Report of Economic Survey by the American Intellectual Property Law Association, the average rate for a partner in a private firm is $265/hour in California and $224/hour in the Washington, D.C. area. The average rate for an associate in a private firm is $190/hour in California and $161/hour in the Washington, D.C. area. The rates requested by Graham & James, therefore, appear to be consistent with the standard rates for other patent lawyers in its region. The slight deviation is explained by the fact that the AIPLA survey reflects income levels in 1992.

Finally, we consider the amount of expenses that may be awarded to Delta. Because we have not granted fees for certain legal services, the amount of expenses must be reduced proportionately in accordance with the reduction in the award of attorney fees. This method corresponds with the calculations employed by Graham & James.[2] The total amount of expenses requested by Delta is $6,986.10. This amount does not include any expenses for the period from July 1, 1995 until August 4, 1995. Further, the amount requested includes travel expenses of $2,415.00, which are not pro-rated and will not be reduced for purposes of this award.

Delta requests attorney fees in the amount of $53,007.25. In this order, we direct counsel for Nasatka to pay attorney fees of 38,236.75, an amount that is 72.1% of the amount sought by Delta. Thus, in addition to the amount allotted for travel costs, we grant 72.1% of the remaining requested expenses. The adjusted award for expenses is $5,710.76.

SUMMARY

Attorney and paralegal fees	$38,236.75
Expenses	$ 5,710.76
TOTAL AWARD:	$43,947.51

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[2] Attached to the Declaration of Mitchell Brook is a schedule that reflects pro-rated expenses attributable to the appeal for eight months in which legal services were rendered both for the appeal and in other matters.

Accordingly,

IT IS ORDERED THAT:

Counsel for Nasatka is ordered to pay Delta's attorney fees and expenses in the amount of $43,947.51.

FOR THE COURT

Aug 25 1995 /s/ Paul R. Michel
Date Paul R. Michel
Circuit Judge

cc: Joseph W. Berenato, III, Esq.
William J. Robinson, Esq.

APPENDIX C

United States Court of Appeals for the Federal Circuit

O R D E R

Before MICHEL, Circuit Judge, PLAGER, Circuit Judge, and RADER, Circuit Judge.

A petition for rehearing having been filed by the APPELLANT,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED.

The mandate of the court will issue on August 28, 1995.

FOR THE COURT,
FRANCIS X. GINDHART,
CLERK

Dated: August 21, 1995

/s/ by Diane M. Frye
Diane M. Frye
Chief Deputy Clerk

cc: JOSEPH W. BERENATO, III
WILLIAM J. ROBINSON

NASATKA V DELTA SCIENTIFIC CORP, 94-1357
(DCT - 93-1420-A)

APPENDIX D

United States Court of Appeals for the Federal Circuit

94-1357, -1499

RALPH G. NASATKA,

Plaintiff-Appellant,

v.

DELTA SCIENTIFIC CORPORATION,

Defendant/Cross-Appellant.

ON MOTION

Before PLAGER, Circuit Judge.

ORDER

Ralph G. Nasatka moves for an extension of time to file his brief. Delta Scientific Corporation opposes. Delta moves (1) to dismiss Nasatka's appeal no. 94-1357 as untimely and (2) for fees and costs in connection with the filing of its opposition and motion to dismiss. Nasatka opposes. Delta moves to remand its appeal no. 94-1499 or, in the alternative, to consolidate the two appeals. Nasatka opposes.

Nasatka brought suit against Delta in the United States District Court for the Eastern District of Virginia alleging that Delta infringed the claims of Nasatka's

patent. During discovery, alleged infringing product. Delta countered that it only sold that barricade to the government and thus was entitled to immunity under 28 U.S.C. §1298. Delta moved for dismissal or, in the alternative, for summary judgment, and for sanctions. Nasatka opposed the motion in part on the ground that Delta also sold essentially the same barricade to the World Trade Center.

On February 4, 1994, the district court dismissed Nasatka's suit without prejudice. On February 14, 1994, the district court vacated its February 4, order and dismissed Nasatka's complaint stating that the "government claims" were dismissed with prejudice based on §1298 immunity, and the "non-governmental claims" were dismissed without prejudice based on Nasatka's failure to conduct a proper prefiling investigation. The district court took Delta's motion for sanctions under advisement.

Nasatka moved for reconsideration of the portion of the district court's February 14 order that dismissed the nongovernmental claims without prejudice. On May 6, 1994, the district court denied the motion. On May 12, 1994, the district court granted Delta's motion for sanctions against Nasatka and scheduled a hearing to determine the amount of the sanctions award. Nasatka appealed on June 6, 1994, seeking review of the February 4, February 14, and May 6, 1994, district court orders. Meanwhile, the district court proceeded with the sanctions hearing. On July 5, 1994, after considering Nasatka's opposition to the grant of sanctions, the district court vacated its May 12 order and stated that sanctions were not warranted because Nasatka actually had conducted a

sufficient prefiling investigation.* Delta appealed the district court's July 5 order.

Delta argues that Nasatka's appeal should be dismissed on several grounds. First, Delta argues that the February 14, 1994 order was not final and appealable because it was a "mixed order" that dismissed Nasatka's claims both with an without prejudice. Second, Delta maintains that even if the order were final and appealable with respect to the dismissal with prejudice of the government claims, Nasatka's motion for reconsideration of only the portion of the order dismissing the nongovernmental claims without prejudice did not toll the time for appealing the portion of the order dismissing the government claims. Third, Delta contends that because the district court denied Nasatka's motion for reconsideration as procedurally improper, the motion was not a proper Fed. R. Civ. P. 59(e) motion and did not toll the time for appeal. Finally, Delta states that the May 6, 1994 order was vacated by the district court's July 5, 1994 order, which Nasatka has not appealed, and the May 6 order is therefore not appealable.

We conclude that Nasatka has timely appealed from an appealable order. The February 14 order was a final judgment dismissing the complaint and Nasatka's motion for reconsideration was a Rule 59(e) motion that tolled the time for appeal. Some of the parties' arguments regarding these issues are not on point. Although the

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* It appears that the district court now believes that Nasatka's prefiling investigation was sufficient to support the filing of his complaint. In the event that Nasatka is seeking review only of this portion of the judgment, it is unclear why Nasatka does not refile his complaint and voluntarily dismiss his appeal.

district court characterized his action as one dismissing some "claims" with prejudice and other "claims" without prejudice, Nasatka brought only a single claim for infringement. Delta's defense was that there was no infringement because it only sold the accused devices to the government. Nasatka countered that it believed Delta had also sold some barricades to the World Trade Center. The district court's February 14 order, in effect, held that Delta's defense regarding sales to the government was valid and thus there could be no infringement regarding those sales. The district court also held, in effect, that Nasatka had insufficiently investigated whether there were sales to the World Trade Center and that its infringement suit was therefore dismissed without prejudice.

In sum, Delta prevailed on its defense with regard to some sales and the district court required Nasatka to investigate more before bringing suit with regard to the alleged sales to the World Trade Center. In the event that Nasatka seeks to have the government sales defense reviewed, he must appeal now because he cannot seek review of that ruling in a future suit where he will be barred from raising the matter by res judicata. Thus, the district court's order is appealable.

There exists a split in the circuits whether an order dismissing a complaint without prejudice is final and therefore appealable. Delta's argument assumes that there were two claims in this suit. Assuming, for the sake of argument, that Delta's assumption is true, while some circuits have held that such an order is appealable as of right, see, e.g., *Davis Forestry Corp. v. Smith*, 707 F.2d 1325 (11th Cir. 1983) and *Elfenbein v. Gulf and Western Industries, Inc.*, 590 F.2d 445 (2d Cir. 1978), other circuits

have ruled that such an order is not appealable if the plaintiff can cure by amendment the defect that caused the complaint to be dismissed. See, e.g., *Coniston Corp. v. Village of Hoffman Estates*, 844 F.2d 461, 463 (7th Cir. 1988).

The Fourth Circuit holds to the latter view, stating that a complaint dismissed without prejudice is appealable if it is clear that "'no amendment [in the complaint] could cure the defects in the plaintiff's case.'" *Domino Sugar Corp. v. Sugar Workers Local 392*, 10 F.3d 1064, 1066 (4th Cir. 1993) (citing *Coniston Corp.*, 844 F.2d at 463). In this case, we need not decide whether this is an area where we would apply the Fourth Circuit law or which approach to adopt, because under either approach the district court's order dismissing the complaint without prejudice is a reviewable order.

Here, at the time it issued its February 14 order, the district court concluded that Nasatka had not conducted an adequate prefiling investigation. The clear impact of the dismissal order required Nasatka to conduct such an investigation before he could re-file his complaint. However, this differs from a situation where Nasatka can cure the alleged defect simply by amending his complaint. More importantly, Nasatka maintains that he conducted a legally adequate prefiling investigation and seeks review of the district court's ruling on the issue. If the district court's order is not appealable, then Nasatka will be denied effective review of that determination.

Delta argues that Nasatka's motion for reconsideration was not a tolling Rule 59(e) motion because it was not seeking reconsideration of a final

judgment. However, the February 14 order was a final judgment. Thus, Nasatka's timely filed motion for reconsideration tolled the time for appeal. Pursuant to Fed. R. App. P. 4(a)(4), if any party files a timely motion to alter or amend the judgment under Rule 59, the time for appeal runs from the entry of the order disposing of the motion. A motion for reconsideration is a Rule 59(e) motion. See *Tylo Sauna, S.A. v. Amerec Corp.*, 826 F.2d 7, 8 (Fed. Cir. 1987).

Delta's next argument is that Nasatka only sought reconsideration of part of the order. There is nothing in the language of Rule 59 that requires a party to file a motion to alter or amend every part of the judgment in order to toll the time for appeal for the entire judgment. Indeed, the language of the rule provides that any Rule 59(e) motion by any party tolls the time for appeal. See also *United States v. Ibarra*, ___ U.S. ___, 112 S. Ct. 4 (1991).

Regarding Delta's contention that Nasatka's motion for reconsideration also failed to toll the time for appeal because the district court denied the motion as procedurally improper, we disagree. On May 6, after oral argument, the district court denied Nasatka's motion as procedurally improper because "the proper course was to refile his suit." Although described as procedurally improper, it is clear that what the court meant was that Nasatka had a substantive problem to overcome. In *Ibarra*, the Supreme Court stated that "there is no certain way of deciding in advance which motions for reconsideration have the requisite degree of merit, and which do not. Given this, it is far better that all such motions be subsumed under one general rule--the rule

laid down in *Healy*." *Ibarra*, 112 S. Ct. at 6. As noted above, the rule in *United States v. Healy*, 376 U.S. 75, 78 (1964), allows all motions for reconsideration to toll the time for appeal of final judgment until a ruling on the motion. Thus, the Court has explicitly rejected attempts to analyze the merits of a motion for reconsideration in determining whether the motion tolls the time for appeal. Therefore, in the instant case, although the district court ruled that Nasatka's motion was procedurally improper, that determination did not prevent the motion for reconsideration from tolling the time for appeal.

Delta's final argument is that the district court's July 5, 1994, order vacated its May 6, 1994, order and required Nasatka to file a new notice of appeal. Delta is incorrect. The district court's July 5 order vacated its May 12, 1994, order granting sanctions to Delta. Nasatka sought review of the May 6 order and not the May 12 order. Therefore, Nasatka was not required to file a new notice of appeal after the July 5 order.

Delta has appealed the district court's July 5 order declining to award sanctions to Delta. Delta moves to have this court remand its appeal on the ground that it intends to file a Fed. R. Civ. P. 60(b) motion based on newly obtained evidence. However, it is the practice of appellate courts to deny a motion to remand for this purpose unless the district court indicates that it intends to grant the Rule 60(b) motion. See 7 James W. Moore et al., Moore's Federal Practice ¶60.30[2] (2d ed. 1993). Thus, we decline to remand Delta's appeal.

Accordingly,

IT IS ORDERED THAT:

(1) Nasatka's motion for an extension of time is granted; Nasatka's brief is due 14 days from the date of filing of this order.

(2) Delta's motion to dismiss is denied.

(3) Delta's motion for fees and costs in connection with its opposition and motion to dismiss is denied.

(4) Delta's motion to remand its appeal is denied.

(5) Delta's motion to consolidate its appeal with Nasatka's appeal is granted.

(6) The revised official caption is reflected above.

Dec. 6, 1994
Date

/s/ S. Jay Plager
S. Jay Plager
Circuit Judge

cc: Joseph W. Berenato, III, Esq.
William J. Robinson, Esq.

APPENDIX E

United States Court of Appeals for the Federal Circuit

94-1357

RALPH G. NASATKA,

Plaintiff-Appellant,

v.

DELTA SCIENTIFIC CORPORATION,

Defendant-Appellee.

Before MICHEL, PLAGER and RADER, Circuit Judges.

MICHEL, Circuit Judge.

ORDER

Based on the statements and questions of the court at oral argument in the above-captioned case on May 3, 1995, an audio tape of which is available to counsel, and based on argument in the response brief of appellee on frivolity, the court is considering imposing sanctions against appellant's counsel under Fed. R. App. P. 38 on the ground that he has pursued an appeal through submission of briefs and presentation of oral argument long after it had become moot due to a reconsideration decision of the trial court vitiating the rulings and findings appealed.

IT IS ORDERED THAT:

The appellant's counsel is allowed 14 days from the date of this Order to respond to this notice of possible sanctions against him, issued under the notice requirement of Rule 38 as amended in 1994, by filing a brief not to exceed 25 pages.

FOR THE COURT

June 14, 1995
Date

/s/ Paul R. Michel
Paul R. Michel
Circuit Judge

cc: Joseph W. Berenato, III
William J. Robinson

APPENDIX F

DISTRICT COURT	FEDERAL CIRCUIT
Case dismissed, 2/7/94	
Motion for Reconsideration, 2/25/94	
Reconsideration denied, 5/6/94	
Rule 11 sanctions granted, 5/12/94	
Nasatka notice of appeal, 6/6/94	
	Notice of docketing, 6/16/94 - No. 94-1357
Sanctions reversed, 7/5/94	
Delta §285 motion for attorney fees; motion to compel, 8/2/94	
Delta notice of appeal, 8/3/94	

Delta motion to dismiss Nasatka appeal, 8/9/94

Delta motion to compel granted; motion for §285 attorney fees continued, 9/9/94

Notice of docketing, 9/13/94 - No. 94-1499

Delta motion to remand, alternatively to consolidate, 11/9/94

Order denying motion to dismiss, 12/6/94

Nasatka brief filed, 12/20/94

Delta opposition brief, 2/1/95

Delta motion to dismiss Delta appeal, 2/8/95

Nasatka reply brief, 2/21/95

Delta Rule 60(b) motion, 4/18/95

Hearing, 5/3/95

Rule 60(b) motion denied, 5/12/95

Delta renotice of §285 attorney fee motion, 5/31/95

Delta 2nd renotice of §285 attorney fee motion, 6/13/95

Order to Show Cause, 6/14/95

Judgement, 7/7/95

Delta 3rd renotice of §285 attorney fee motion, 7/18/95

§285 attorney fees denied, 8/11/95

Rehearing denied, 8/21/95

Sanctions award, 8/28/95

Supreme Court, U.S.
F I L E D
DEC 20 1995
OFFICE OF THE CLERK

No. 95-795

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1995

RALPH G. NASATKA,
Petitioner,
v.
DELTA SCIENTIFIC CORPORATION,
Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION

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30 P

QUESTIONS PRESENTED

Nasatka's "Questions Presented" are unrelated to any issue in this lawsuit.

Question 1 urges that the Federal Circuit improperly sanctioned counsel for a frivolous appeal. This misconstrues the posture of this case in which the issue was the propriety of a dismissal without prejudice of a portion of the complaint. The District Court correctly dismissed the complaint, applying the standards of Rule 11, Fed.R.Civ.P. Despite admonitions from both the District Court and the Federal Circuit to simply re-file the complaint, petitioner elected to pursue the meritless appeal. There can be no prejudice to petitioner in simply re-filing the complaint after a dismissal without prejudice.

Question 2 presents an irrelevant proposition. As counsel has been sanctioned, not the petitioner, the award of appellee's fees as to counsel is irrelevant to this action. In any event, there is no issue as to propriety of including the fees associated with an accounting in an award of attorney fees.

The only issue on this petition for certiorari is whether respondent should be awarded its fees and costs in responding to the frivolous petition for certiorari.

STATEMENT PURSUANT TO COURT RULE 29.6

Pursuant to Court Rule 29.6, respondent Delta Scientific Corporation states that it is a corporation of the State of California. It has no parent company and no subsidiaries that are not wholly owned.

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Rule 38, Fed.R.App.P. 1, 7, 8, 9, 11, 12, 13, 18

U.S. Sup. Ct. Rule 15.1(j)(i) 2

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

RALPH G. NASATKA,

Petitioner,

v.

DELTA SCIENTIFIC CORPORATION,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

---

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION

The position petitioner Ralph G. Nasatka ("Nasatka") asserts in this case through counsel would divest the courts of appeals of authority to award sanctions for frivolous appeals pursuant to Rule 38, Fed.R.App.P. If this position were tenable at all, it would have been pointless for this Court to have proscribed Rule 38 in the first place. Nasatka's baseless assertion that the Federal Circuit improperly exercised its discretion under Rule 38 would eviscerate the rule and open the floodgates of frivolous appeals.

Oddly, Nasatka did not include the District Court orders appealed from in the appendix of the Petition. That technical defect highlights the frivolity of the instant petition -- in addition to rendering Nasatka's petition improper under Court Rule 15.1(j)(i).[1]

In reality, this case pertains to an appeal of a dismissal *without prejudice*. Both the District Court and the Court of Appeals admonished Nasatka to simply re-file the complaint. Instead, Nasatka and his counsel pursued a strategy of litigating to the bitter end -- merits to the wind. First a motion for reconsideration was denied by the District Court. Then, rather than simply re-filing the complaint, Nasatka pursued the appeal. The appeal incurred costs for both parties, *for no reason at all*. Given that the dismissal appealed and subject to the instant petition was without prejudice, there was no possibility of any prejudice to Nasatka. Nasatka's and his counsel's claim to the contrary in the instant petition is itself frivolous and deserving sanctions.

Nasatka had full knowledge that the option of re-filing the complaint was available -- having been so advised by both the District Court and Court of Appeals. The Court of Appeals decision properly rests on the application of the Rules proscribed by this Court to the facts found in the case. The fairness to Nasatka of the prior proceedings, together with the gross injustice to respondent Delta Scientific Corporation ("Delta"), the waste of judicial resources and the flood of frivolous appellate practice that would result if the dismissal was reversed, militate against granting certiorari here.

---

[1] Respondent hereby moves to strike Nasatka's Petition because of this defect.

STATEMENT OF THE CASE

The District Court sanctioned Nasatka pursuant to Rule 11, Fed.R.Civ.P., for filing a complaint based on an inadequate pre-filing investigation. The pertinent sanction was the dismissal without prejudice of a portion of the complaint.

By way of a brief factual background, this action concerns security barriers installed in roadbeds. The barriers generally include a hydraulically-activated steel plate that is movable between positions flush with the roadway and 45° to the roadway. Nasatka sued Delta for patent infringement. Two classes of customers were at issue: the U.S. government, for barriers inserted at the Pentagon (the "government sales"); and the New York/New Jersey Port Authority, for barriers installed at the World Trade Center (the "third-party sales"). Nasatka's complaint alleged that he owns Patent No. 4,619,395 (the "'395 patent") and that this patent was infringed by Delta.

A. The Orders Appealed

This action was dismissed by the District Court by Orders dated February 4 and February 14, 1994. Nasatka's claims of patent infringement by Delta were dismissed with prejudice in part and without prejudice in part. The February 14 Order (which modified the February 4 Order) had three parts:

> (1) Nasatka's Complaint was dismissed *with prejudice* with respect to claims of patent infringement regarding products sold by Delta to the United States government for lack of subject matter jurisdiction of the District Court in view of 28 U.S.C. § 1498;

(2) Nasatka's Complaint was dismissed *without prejudice* with respect to Delta's allegedly infringing third-party sales for failure to do a pre-filing investigation pursuant to Rule 11, Fed. R. Civ. P.; and

(3) Delta's motion for monetary sanctions was taken under advisement.

Nasatka appealed from both the February 4 and 14 Orders as well as from an Order dated May 6, 1994 (entered May 9) denying Nasatka's Motion For Reconsideration. The third part of the February 14 Order ultimately was decided in Nasatka's favor on July 5, 1994.

Nasatka did not appeal the first part of the February 14th order--the part dismissed with prejudiced. Accordingly, the *only* portion of the Orders remaining for review is the dismissal without prejudice of the infringement claim with respect to Delta's third-party (non-governmental) sales for failure to do a Rule 11 pre-filing investigation.

B. The Warnings To Nasatka Against Proceeding

With respect to this dismissal without prejudice, the District Court properly advised Nasatka that:

> "There really isn't any prejudice to the plaintiff; he can refile it [the complaint]. As far as any delay in this case, we're noted for giving speedy trials. I don't think the delay would be untoward towards the plaintiff.

> "Accordingly, I will deny the motion to reconsider."[2]

See also Court of Appeals Opinion, A9 ("The district court had observed in its May 6, 1994 decision denying reconsideration that Nasatka suffered no prejudice because he could refile his complaint").

Nasatka received the same admonition by the Court of Appeals in its decision on Delta's Motion to dismiss the appeal (A19-26). That decision came *before* the appeal briefs were filed. Thus, at that time, the Court of Appeals (and Delta) did not know that Nasatka was only appealing the portion of the judgment that was made without prejudice. In the opinion on that motion, Judge Plager warned Nasatka that if only the without prejudice portion was being appealed, Nasatka should just re-file the case (A9; A21n):2

> "In the event that Nasatka is seeking review of only this portion of the judgment [dismissal without prejudice], it is unclear why Nasatka does not refile his complaint and voluntarily dismiss this appeal."

After Nasatka's appeal brief was filed, it was clear that in fact Nasatka only appealed the dismissal without prejudice. Accordingly, given that the judgment appealed was without prejudice, by definition, there was no prejudice to Nasatka. Given the lack of merit of that appeal, Judge Plager invited the panel to overrule his prior decision not to dismiss. At the oral argument, Judge Plager withdrew his prior belief (on the motion to dismiss) that there would be prejudice to Nasatka in dismissing the appeal:

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[2] Pages 13-14 of the hearing transcript on the motion for reconsideration, May 6, 1994.

> "I issued an Order at that time [referring to the ruling on the motion to dismiss] in which I said there was a sufficient showing of prejudice on its face, but I think the panel is free to overturn my order in that respect, and *I would support the panel in overturning it.*" (quoting pp. 18 and 4 of Nasatka's Petition) (emphasis added)

Without shame, Nasatka now relies on Judge Plager's invitation to the panel to overturn his denial of Delta's Motion to Dismiss as support for the proposition that Nasatka would have been prejudiced by not appealing. That is a ludicrous spin on Judge Plager's admonitions. It was clear that the portion of the judgment made with prejudice was not in issue. This is yet another example of the type of conduct which was sanctioned below. The Court of Appeals was correct in holding that, "By making clear Nasatka's proper course, these warnings accentuate the frivolity of Nasatka's persistence in this appeal." (A9)

REASONS FOR DENYING THE WRIT AND SUMMARY OF ARGUMENT

Nothing in this case warrants review on certiorari. There are no special or important reasons why this Court should give petitioner another hearing on matters already considered and correctly decided below. The comprehensive Court of Appeals opinion dealt with and rejected essentially the same arguments regarding the merits of Nasatka's tactics.

Both the District Court and the Court of Appeals repeatedly warned Nasatka to simply re-file the action. Ignoring those admonitions Nasatka and his counsel pressed ahead -- crowding the Courts' dockets and entangling Delta

in a needless appellate process. No constitutional issue is involved.

The decision below correctly applied Rule 38 Fed.R.App.P. It correctly ruled that Rule 38 is meant to compensate the prevailing party for having to defend against a meritless appeal and to deter such frivolity. This is entirely consistent with other circuits and the Advisory Committee Note.

Nasatka's arguments in the Petition are based on an unwarranted disregard of the findings and admonitions below and upon incorrect assertions pertaining to inapposite authority.

ARGUMENT

A. Nasatka's Argument Is Not Tied To The Facts

Nasatka resorts to a shotgun argument which resorts to fatuous interpretations of precedent, completely unconnected to this action. Indeed, Nasatka states no compelling reason why this case merits review, instead relying on a very difficult to discern conflict among the circuits based on strained interpretations of circuit court opinions. Moreover, Nasatka fails to tie to this case the alleged conflict between the Federal Circuit and other circuits to the facts of this case. Indeed, Nasatka fails to point to where, if any, the alleged deficiencies in Federal Circuit precedent have occurred in the opinion below, and indeed they do not. In addition, there is no conflict between the Federal Circuit and the other circuits on the issues raised by Nasatka. The various circuits have uniformly sanctioned frivolous appeals as has the Federal Circuit.

B. The Court Below Correctly Applied Rule 38 In Finding The Appeal Frivolous And Awarding Sanctions Against Nasatka's Attorney

The Federal Circuit in the Opinion below emphasized the singularly atypical posture of this case and the extreme frivolity of Nasatka's tactics. First, the Court deemed the appeal frivolous (A8). Then, it went on to explain aggravating circumstances, namely the repeated admonitions that Nasatka simply re-file the complaint (A9). The Court below correctly held that (A9),

> "By making clear Nasatka's proper course, these warnings accentuate the frivolity of Nasatka's persistence in this appeal."

Moreover, the Court below correctly directed the sanctions to be paid by counsel, not the petitioner (A10): "Counsel, not client, must pay damages here because the pursuit of the appeal served to protect counsel more than client."

The Court below correctly applied the standards of Rule 38, Fed.R.App.P. The Court first found that the appeal was frivolous (A7-A8). The Court then used its discretion in awarding sanctions (A9-10). In this regard, the Court noted the aggravating circumstance of Nasatka's having repeatedly been advised to re-file the complaint (A9).

This approach is consistent with the approach uniformly taken in each of the regional circuits in awarding sanctions for frivolous appeals. *Matter of Generes*, 69 F.3d 821, 828 (7th Cir. 1995); *Simmons v. Allstate Life Ins. Co.*, 65 F.3d 526, 531 (6th Cir. 1995); *Resolution Trust Corp. v. Gold*, 30 F.3d 251, 254 (1st Cir. 1994); *Nagle v. Alspach*, 8 F.3d 141, 145 (3d Cir. 1993); *Garden State Broadcasting Ltd. Partnership v. FCC*, 996 F.2d 386, 396 (D.C.Cir.

1993); *Peerless Indus. Paint Coatings v. Canam Steel*, 979 F.2d 685, 687 (8th Cir. 1992); *Buck v. U.S.*, 967 F.2d 1060, 1062 (5th Cir. 1992), *cert. denied* 113 S.Ct. 1052 (1993); *Bakker v. Grutman*, 942 F.2d 236, 242 (4th Cir. 1991); *Pelletier v. Zweifel*, 921 F.2d 1465, 1523 (11th Cir. 1991), *cert. denied* 502 U.S. 855 (1991); *Braley v. Campbell*, 832 F.2d 1504, 1512 (10th Cir. 1987); *Schiff v. Simon & Schuster, Inc.*, 766 F.2d 61 (2d Cir. 1985); *Gattuso v. Pecorella*, 733 F.2d 709, 710 (9th Cir. 1984).

The approach taken below is also consistent with the Advisory Committee Note to Rule 38, which states: "damages are awarded by the court in its discretion in the case of a frivolous appeal as a matter of justice to the appellee and as a penalty against the appellant."

This Court also has envisioned that frequently Rule 38 sanctions will follow the award of sanctions under Rule 11, Fed.R.Civ.P.:

> "If the appeal of a Rule 11 sanction is itself frivolous, Rule 38 gives appellate courts ample authority to award expenses. Indeed, because the district court has broad discretion to impose Rule 11 sanctions, appeals of such sanctions may frequently be frivolous."

Cooter & Gell v. Hartmarx Corp., 496 U.S. 384, 407, 110 S.Ct. 2447, 2462 (1990).

The Federal Circuit's decision in this case was entirely consistent with this holding. The pertinent portion of Nasatka's complaint was dismissed without prejudice as a sanction for failing to perform an adequate pre-filing investigation. Nasatka and counsel continued their

sanctionable conduct on the appeal and were properly sanctioned for it.

Nasatka improperly argues that the Federal Circuit *Practice Note* to Rule 38 is inconsistent with the rule itself. It is unclear how this is connected to the present case. Moreover, this argument belies the fact that the regional circuits have authority to promulgate local rules supplementing the Federal Rules. 28 U.S.C. § 2077. Indeed, the Federal Circuit would be entitled to implement its own version of a sanctions rule, should it so desire, but has not done so.

Faced with a flood of frivolous appeals and strike suits, the Courts are increasingly awarding sanctions for frivolous appeals. This is a sound policy and is not subject to controversy. There also is no constitutional issue implicated in this case. Nasatka has had complete access to the courts. The appealed complaint was without prejudice. Nasatka was free to re-file in the District Court.

Nasatka misconstrues the Practice Note as meaning that sanctions are automatically awarded. In fact, there is no indication of that. Indeed, the full text of the Practice Note makes clear that the Federal Circuit was "warning" *attorneys* against pursuing frivolous appeals. In the present case, Nasatka and his attorney received additional warnings as well, none of which were heeded.

Moreover, Nasatka does not show that the Federal Circuit abused its discretion in this case. Clearly it did not. Instead, Nasatka relies on other opinions of the Federal Circuit, all of which are over four years old (petition, p. 8) and none of which are related to this case. All that those cases show is that sanctions were awarded for frivolity. They do not evince any inconsistency or conflict among the

circuits. They also have no connection whatsoever to this case and cannot be used to prove that somehow too much vigor (or too little vigor) was applied in sanctioning Nasatka's conduct.[3]

Nasatka also argues that "guidance is needed on Rule 38." Yet his reasons for requesting that guidance are so obtuse and without merit that it is difficult to believe that they could have been presented in good faith. There is no uncertainty in the applicable standards and as discussed

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[3] The cases relied upon by Nasatka for his argument that the Federal Circuit is too vigorous are inapposite. *McKnight v. General Motors Corporation*, ___ U.S. ___, 114 S.Ct. 1826 (1994) was remanded for a finding as to whether the sole basis for sanctions was the interpretation of a statutory provision. There was no such legal issue in this appeal. Moreover, the *McKnight* opinion makes clear that the *only potential for redress was the appeal. Id.* Here the precise opposite is true; Nasatka was able to -- and was indeed repeatedly admonished to -- pursue redress by re-filing the complaint in the District Court.

Nasatka's further reliance on this Court's holding in *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 407-408, 110 S.Ct. 2447, 2462 (1990) also is unavailing. That case decided that sanctions under Rule 38, Fed.R.App.P., should not follow automatically from an unsuccessful appeal of sanctions under Rule 11, Fed.R.Civ.P., but recognized that often they would. Here, the Rule 38 sanctions were completely independent of the Rule 11 sanctions. Indeed, Nasatka's and counsel's conduct on appeal provided the independent bases for the award of Rule 38 sanctions. This award was entirely consistent with the standards set forth in *Cooter & Gell*.

Burlington Northern R. Co. v. Woods, 480 U.S. 1, 107 S.Ct. 967 (1987) also is inapposite. That case involved a mandatory state sanction provision. It did not involve frivolous appeals. Rather, the provision required the award of a sanction amounting to ten percent of a monetary judgment where an appeal was unsuccessful. Here, there was no automatic sanction imposed for an unsuccessful appeal. Instead, the conduct of the appeal and its frivolous nature resulted in sanctions.

above, and the regional circuits have acted uniformly in sanctioning frivolous appeals. Indeed, Nasatka acknowledges that this Court already "has addressed" Rule 38 in *Burlington Northern R. Co. v. Woods*, 480 U.S. 1, 107 S.Ct. 967 (1987).

Apparently the primary reason why Nasatka argues that "guidance is needed" is that "Appellate sanctions have apparently become more prevalent" and on that basis "Nasatka submits that these issues are ripe for consideration by this Court." In reality there is nothing new about circuit courts recognizing the increasing prevalence of frivolous appeals and the use of Rule 38 as a deterrent. *E.g.*, *Simmons*, 65 F.3d at 531 ("'With courts struggling to remain afloat in a constantly rising sea of litigation, a frivolous appeal can itself be a form of obscenity. Rule 38 should doubtless be more often enforced than ignored. . . .'", *quoting WSM, Inc. v. Tennessee Sales Co.*, 709 F.2d 1084, 1088 (6th Cir. 1983)); *Gattuso*, 733 F.2d at 710 ("'Meritless appeals of this nature are becoming increasingly burdensome on the federal court system'"). The mere increase in frivolous litigation provides no basis for concluding that review is warranted or necessary. There is no dispute among the circuits and the pertinent portions of Rule 38 have existed since 1967.

Nasatka urges that the Federal Circuit approach in *other* cases is inconsistent with that of the Second, Seventh and Tenth Circuits in that it does not require proof of bad faith by the sanctioned party. Yet in reality the precedents of those circuits are consistent with the award of sanctions in this case. Moreover, in this case, the opinion below recited numerous instances of bad faith. Not even Nasatka argues that there is no such evidence in this case. Rather, Nasatka argues hypothetically -- that in another case the Federal Circuit did not require such evidence.

As proof of the Federal Circuit's approach, Nasatka relies on *Romala Corp. v. U.S.*, 927 F.2d 1219, 1226 (Fed. Cir. 1991). However, Nasatka fails to tie that decision to the present case, as he cannot. The Court below did not rely upon *Romala*. As here, the Court in *Romala* sanctioned vexatious litigation tactics. The Federal Circuit held that the standard governing Rule 38 can be determined based upon the objective, vexatious conduct of a litigant. *Id.* at 1226. The Federal Circuit held that vexatious tactics were evident from the conduct of the litigant and that state of mind was not pertinent where the issue was vexatiousness:

> "[T]he subjective intent of Romala and its attorneys in making irrelevant arguments and grossly inaccurate statements is immaterial. ... The controlling consideration ... is the consistently inaccurate and irrelevant character of Romala's assertions of fact, which is clear on the face of the briefs and for which no exonerating explanation is possible."

Id.

This objective standard of vexatiousness is consistent with that applied in other circuits as well. Indeed, authority cited by Nasatka is inapposite. For example, *Mareno v. Rowe*, 910 F.2d 1043, 1047 (2nd Cir. 1990), *cert. denied* 498 U.S. 1028, 111 S. Ct. 681 (1991) was decided under Rule 11, Fed.R.Civ.P., not Rule 38. There, the Second Circuit held that vexatious tactics alone may merit an award under Rule 11, although in that case vexatiousness had not been proven.

Braley v. Campbell, 832 F.2d 1504, 1512 (10th Cir. 1987), contradicts Nasatka stating:

> "Alexander argues that sanctions under either Rule 38 or § 1927 should be imposable against an attorney personally only for subjective bad faith. We disagree. That standard is virtually impossible to apply. Even under the courts' inherent powers, the Supreme Court has only required conduct that 'constituted or was *tantamount* to bad faith' *Roadway*, 447 U.S. at 767, 100 S.Ct. at 2465 (emphasis added)."

The Seventh Circuit also has not required a showing of bad faith in cases of vexatious conduct. For example, in *Matter of Generes*, 69 F.3d at 828, the Seventh Circuit applied an objective standard, in holding that, "An appeal is frivolous when 'the result is foreordained by the lack of substance to the appellant's arguments'" (*citing Mars Steel Corp. v. Continental Bank N.A.*, 880 F.2d 928, 938 (7th Cir. 1989) (*en banc*)). Nasatka's reliance upon *Ross v. City of Waukegan*, 5 F.3d 1084, 1090 (7th Cir. 1993) is ill founded. In *Ross*, there was a substantive issue in the argument. The consistency of the Seventh Circuit with the Federal Circuit is confirmed in *Hill v. Norfolk and Western Ry. Co.*, 814 F.2d 1192, 1202 (7th Cir. 1987), which held that "objectively groundless legal arguments" alone can serve as the basis of a Rule 38 sanction. There, the court assumed the arguments were made "in perfect good faith").

Regardless of whether there is a requirement of evidence of bad faith, the opinion below is replete with recitation of such evidence. For example, Nasatka pursued an appeal even after it was likely rendered moot (A5-A8), pursued an appeal without prejudice despite numerous warnings (A9-A10), and made meritless arguments on appeal (A11).

Moreover, Nasatka's bad faith is readily apparent on the face of his appeal brief. It is clear from his argument

therein that he knew full well that the appeal had been mooted, but he pursued the appeal anyway. The cornerstone of his argument in his appeal brief was that new fact findings by the District Court in a later motion undermined the findings forming the basis of the dismissal without prejudice:

> "The district court ultimately recognized and found 'that Nasatka did conduct an adequate pre-filing investigation of the WTC barriers.' ... Considering that the dismissal was premised upon what was originally considered to be other than a reasonable pre-filing investigation, this most recent order establishes, without more, that the dismissal as to the World Trade Center barriers was in error."

Nasatka Appeal Brief at 22. As advised repeatedly, Nasatka should have quit the appeal and simply returned to the District Court.

C. There Is No Constitutional Issue As Nasatka Was Not Denied A Forum For His Alleged Grievance

Nasatka is blatantly disingenuous in arguing that "sanctions have been imposed even though the Federal Circuit earlier acknowledged that Nasatka 'would be denied effective review' if he did not proceed with the appeal." (petition p. 9). In fact, there was no such ruling by the Federal Circuit as to the issues at hand. Judge Plager's opinion on Delta's Motion to Dismiss was *before Nasatka withdrew the "with prejudice" portion of the judgment from the appeal.* Judge Plager made clear to Nasatka that he should not appeal, "In the event that Nasatka is seeking review of only" the dismissal without prejudice (A9, A21n). When it became apparent after briefing that Nasatka was only appealing the dismissal without prejudice, Judge Plager made clear that the bases of his prior

opinion denying dismissal did not exist (A9; Petition, pp. 4, 18). Indeed, Judge Plager invited the panel to overturn his prior ruling (Petition, pp. 4, 18).

Thus, the passage upon which Nasatka's Petition hinges does not say what he says it does. For this reason, Respondent respectfully requests that this Court exercise its discretion under Court Rule 42.2 and 43 and award damages and costs.

D. There Is No Proper Issue Raised As To The Holding That The Appeal Was Moot.

Nasatka does not allege disagreement among the circuits or constitutional issue with respect to the holding that the appeal was moot.

First Nasatka makes an irrelevant argument in arguing that Delta's attorney fee motion rendered the appeal case not moot. Moreover, he has not even alleged disagreement among the circuits or improper application of the law. The Court of Appeals correctly held that:

> "Delta's motion for attorney fees in the district court and the arguments Delta may make in that motion are irrelevant to whether this appeal seeking reversal of the order dismissing Nasatka's original complaint became moot before being submitted for decision here. ... If the district court grants that [attorney fees] motion, Nasatka's recourse is to appeal that order."

(A6-A7).[4] Nasatka's argument that without reversal of the dismissal without prejudice he might be liable for attorney fees makes no sense. In fact, the Motion for attorney fees was denied. If the action was mooted, he simply could have re-filed his complaint and, if it was an issue as to attorney fees, could have moved to vacate the original judgment as to the dismissal in part. However pursuing an appeal simply increased the expenses of the parties and imposed an utterly unnecessary duty on the Court. Even if the appeal was successful, Nasatka still would have been liable for attorney fees because he filed a complaint knowing it was improper -- with regard to the government sales allegations, which were dismissed with prejudice.

Second, Nasatka makes an obscure procedural argument. He seems to argue that an improper procedure was followed in making the finding of mootness. Apparently Nasatka is arguing that because Delta did not raise the issue of mootness, the Court of Appeals could not make the finding. Yet in reality Nasatka himself argued that the appeal was moot, without actually using that term in his appeal brief, as quoted above. Based on this argument, Nasatka knew full well that the appeal was moot, as the Court of Appeals concluded. Accordingly, the sanctions were warranted.

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[4] Nasatka's reliance on *Bartenders & Culinary Wkrs. v. Howard Johnson Co.*, 535 F.2d 1160 (9th Cir. 1976) is unfounded. That case had nothing to do with a pending motion for attorney fees, or with a moot appeal. Indeed, the underlying controversy remained active in that the question was whether a court may impose substantive terms of a collective bargaining agreement upon a successor employer. *Id.* at 1161-62.

E. The Amount Of Sanctions Are At The Discretion Of The Court

The amount of a damage award under Rule 38 is at the discretion of the appellate court. The 1967 Advisory Committee Note to Rule 38 states that "damages are awarded by the court in its discretion in the case of a frivolous appeal as a matter of justice to the appellee and as a penalty against the appellant." The Federal Circuit properly exercised its discretion in awarding Delta's attorney fees.

The Federal Circuit awarded Delta "its costs and reasonable attorney fees for this appeal ... as just damages." (A10). Delta then submitted its accounting. The Federal Circuit ultimately awarded Delta 72.1% of its fees and expenses. This amounted to a reduction of approximately $16,045 from Delta's total fees and expenses of 59,993.35 (*see* A16).

Oddly, the only issue as to fees raised by Nasatka is whether the fees associated with the accounting should be included. However, the total amount of those fees was only approximately $4,500.[5] That is *less than* the amount that the award was reduced from Delta's original request. Moreover, as the court below pro-rated the award, only approximately $3,250 of the total award is attributable to the fees associated with the accounting.

This award by the Federal Circuit is consistent with this Court's precedent. In *Pennsylvania v. Del. Valley Citizens' Council*, 478 U.S. 546, 555 n.3, 561, 568, 106

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[5] Subsequent to the original award, Delta requested a supplemental award for fees associated with completing the initial application for attorneys' fees. That request covered fees which could not be included in the original request. That request was denied.

S.Ct. 3088, 3093 n.3, 3096, 3100 (1986), *judgment rev'd on other grounds, 483 U.S. 711, 107 S.Ct. 3078 (1987),* this Court affirmed an award of attorney fees which included $3,380 for the preparation of the fee application.[6]

The fees awarded were eminently reasonable and Nasatka presents no credible argument that they were not. Nasatka recognizes that the court held the rates charged to be reasonable, and the determination of reasonableness is patently clear on the face of the opinion. For Nasatka to now claim that the Federal Circuit did not make a finding of reasonableness of this award is blatantly disingenuous. Moreover, Nasatka's attempt to fabricate a "split in the circuits" is outrageous. There is no split in the circuits, even among the cases Nasatka cites (petition pp. 20-21). This argument is so far off the mark, it does not merit further discussion.

Delta believes that this argument is not made in good faith and calls for imposition of an additional sanction.

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[6] Nasatka's reliance on *Cooter & Gell*, 496 U.S. at 406, 110 S.Ct. at 2461, is unavailing. That opinion did not address the issue at hand.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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December 20, 1995

PROOF OF SERVICE BY MAIL

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES } ss.:

I am a citizen of the United States and a resident of or employed in the City of Los Angeles, County of Los Angeles. I am over the age of 18 years and not a party to the within action; my business address is 633 W. 5th Street, Suite 1400, Los Angeles, California 90071.

On December 20, 1991, I served the within Respondent's Brief in Opposition to Petition In Re: "Ralph G. Nasatka v. Delta Scientific Corp." in the United States Supreme Court, October Term, 1995, No. 95-795, on all parties interested in said action, by placing three true copies thereof enclosed in a sealed envelope, with postage fully prepaid, in the United States Post Office mailbox at Los Angeles, California, addressed as follows:

Joseph W. Berenato, III, Esq.
MEYERS, LINIAK & BERENATO
6550 Rock Spring Drive
Bethesda, Maryland 20817

I declare under penalty of perjury that the foregoing is true and correct. Executed on December 20, 1995, at Los Angeles, California.

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